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HR, YI

SUBJECT: MAINTAINING MOMENTUM AFTER THE CROATIAN PRIME MINISTER'S WHITE HOUSE VISIT - AMBASSADOR'S DECEMBER 14 MEETING WITH FM GRABAR-KITAROVIC

REF: ZAGREB 1334

Classified By: Ambassador Robert A. Bradtke for reasons 1.4(b) and (d).

¶11. (U) Summary: Following up on their October 27 meeting, Ambassador and DCM met with Croatian FM Kolinda Grabar-Kitarovic December 14 to review progress on outstanding issues and areas of cooperation. Discussions on CEFTA and BiH have been reported separately.

Kosovo

¶12. (C) The Ambassador noted the USG's appreciation of PM Sanader's and President Mesic's efforts to support progress in Kosovo and their willingness to receive Kosovo PM Ceku, as well as the GOC's efforts to fulfill its commitment to Ambassador Wisner to convene a meeting of Kosovar national minorities.

SOFA

¶13. (SBU) The Ambassador noted that we hope to simplify the draft agreement and remove some provisions that would never be used in Croatia. We hope to have a re-draft to Croatia soon.

Open Skies

¶14. (SBU) In response to the Ambassador's question, the FM said the GOC is looking seriously at this issue and will get back to us; the delay in responding is not just a polite "no."

Extradition

¶15. (SBU) The Ambassador noted a key area for the USG regarding the possibility of negotiating a new extradition treaty with Croatia would be Croatia's willingness to modify its constitution to allow the extradition of its own nationals. He noted that Croatia would have to do that as part of the EU accession process in any case. The Foreign Minister undertook to consult with the Ministry of Justice and let the Embassy know whether Croatia would be willing to negotiate on this basis.

Tax Treaty

¶16. (SBU) The Ambassador said that the Barr Labs \$2.5 billion takeover of Pliva Pharmaceuticals may spur interest in concluding a double taxation treaty between the US and Croatia, and said he would be urging Washington to take a fresh look at U.S. willingness to negotiate such an agreement.

Police Cooperation Agreement

¶7. (SBU) The ambassador said that in conjunction with LEGATT Sarajevo we are looking at models for an MOU on law enforcement information exchanges, an issue that Minister of Interior Kirin has raised several times.

IPR

¶8. (U) The Ambassador gave the FM a non-paper on pharmaceutical patents, noting that this issue was resolvable between our countries in a way that was 100% consistent with Croatia's obligations to the EU.

Tax Problems

¶9. (SBU) The Ambassador noted he had had a good meeting with Finance Minister Suker and that he was pleased that some outstanding taxation issues, including one involving Coca Cola, had been resolved in favor of US firms.

Property Restitution

¶10. (C) The FM said she had talked with Ministry of Justice State Secretary Basic about property restitution, as she promised the Ambassador at their last meeting. With the election campaign now under way this was a very sensitive issue. To move ahead with draft legislation the GOC would need to have all parties on board - and the opposition Social Democrats probably would not agree. The opposition, she said, is already running a smear campaign against the government in preparation for next November's elections; she cited the Adriatic economic zone issue, where the SDP is using nationalist rhetoric to push a position that would damage Croatia's position vis a vis the EU. The GOC does not want the property restitution issue to emerge in the election campaign.

¶11. (C) The FM said she knew that most of the potential US claimants were elderly Jews, and that they were dying. She acknowledged that she was in a very uncomfortable position on this issue, since she had personally assured the USG that it would be resolved. Legislation that would provide for restitution for foreign citizens is completely drafted, she noted, so no more technical work needed to be done. However, she concluded that the legislation would have to wait until after the elections; even if it were submitted to Parliament now it would likely not pass, since the Croatian Party of Rights (HSP), which has been supporting the government from outside the coalition, would probably not vote for it.

¶12. (C) The Ambassador responded that it would be very difficult for the USG for Croatia to do nothing on this issue for the next year. If it is not politically feasible to proceed with legislation now it would be important to have some other process underway that would reassure us that some solution was in sight. He promised to return to the FM with ideas on this score.

Adriatic Charter

¶13. (SBU) The Ambassador thanked the FM for the GOC's continued participation in Adriatic Charter (A-3) events, particularly the FM's participation in the post-Riga meeting with A/S Fried in Brussels, and MOD Roncevic's participation December 12 in the A-3 CHODs meeting in Tirana. It will be very important to maintain Croatia's momentum on A-3 projects as Croatia gets ever closer to NATO membership, he noted.

¶14. (SBU) The Foreign Minister replied that Croatia was fully committed to engagement in the Adriatic Charter, noting that the Tallinn Adriatic Charter/Baltic Charter meeting in February was already on the GOC's calendar. The GOC's only A-3-related concern is the possible inclusion of Serbia, Bosnia, and Montenegro in the A-3, which it regards as premature, since the A-3 is an organization of states undertaken NATO Membership Action Plans; since Serbia, Bosnia, and Montenegro are not involved in a MAP right now,

full membership in the A-3 is not appropriate. However, the GOC, Albania, and Macedonia will certainly continue to invite these new PfP members to Adriatic Charter meetings as observers, she said.

BRADTKE